

1st. Dindend
JBH

CS: 26-01-04
MR HAMISH MAXWELL

CC:
RWM, TG, WTM, (PME)
F H DULLES (VISITING PME)
TM KEARNS, RL SNYDER, L POLLAK (PM NY)

*SENT
TELEX 10011
JUN 28 10 5 21
PHILIP HOGGINS INTL*

THE FOLLOWING IS THE RI FLASH FOR THE WEEK ENDING JANUARY
22, 1982

1. LEGAL

A) EEC

WE ARE REVIEWING A DRAFT PREPARED BY SLAUGHTER AND MAY ON BEHALF
OF REMBRANDT OF A SUBMISSION TO THE EUROPEAN COMMISSION. OUR
LAWYERS WILL MEET WITH SLAUGHTER AND MAY ON JANUARY 28. THE BRIEF
IS EXPECTED TO BE FILED BY FEBRUARY 5, 1982.

WE HAVE RECEIVED AN ACKNOWLEDGEMENT OF OUR DECEMBER 23 SUBMISSION
TO THE EEC COMMISSION, SIGNED BY A MR. ROLAND MOUSSARD. WE HAVE
SO FAR NO CONFIRMATION THAT THIS PERSON IS ON THE NEW TEAM REVIEWING
OUR CASE.

ACTING ON A PROPOSAL BY MR. FRANS ANDRIESSEN, THE EEC COMMISSION HAS
DECIDED TO TRY TO GET DISCUSSION MOVING AGAIN IN THE COUNCIL ON
THE PROPOSAL FOR A COUNCIL REGULATION ON MERGER CONTROL, WHICH THE
COMMISSION PUT UP ON 20 JULY 1973.

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E) GERMANY

THE PM/REMBRANDT BRIEFING REPLYING TO THE FCO'S STATEMENT OF NOVEMBER 30 WAS FILED ON FRIDAY, JANUARY 22. WE EXPECT THAT THE FINAL DECISION OF THE FCO WILL BE GIVEN TO US APPROXIMATELY BY MID FEBRUARY.

MESSRS. HEIDENHAIN, AXSTER AND HIRSH HAD A MEETING ON JANUARY 15 WITH THE FCO TO DISCUSS THE QUESTION OF INTERIM MEASURES. AS AGREED INTERNALLY BY PM AND MB, THE LAWYERS WERE INSTRUCTED TO OFFER A VOLUNTARY ARRANGEMENT OF MEASURES, RATHER THAN ACCEPT AN IMPOSITION BY THE FCO. THE FCO IN PRINCIPLE ACCEPTED THE IDEA THAT VOLUNTARY COMMITMENTS BE GIVEN BY MB, BUT INDICATED A NUMBER OF CONDITIONS UNDER WHICH ITS AGREEMENT WILL BE GIVEN. SUCH CONDITIONS INCLUDE GUARANTEES OF THE COMMITMENTS BY BRINKMANN HOLDING, RI AND RTH.

THE FCO INDICATED THAT IT WILL WRITE A LETTER TO THE PARTIES GIVING IN IT ITS VIEWS ON THE QUESTION. SUBSEQUENTLY, IT IS EXPECTED THAT A LETTER WILL BE WRITTEN BY MB, OUTLINING THE COMMITMENTS IT IS PREPARED TO MAKE.

IT IS PLANNED THAT THE LAWYERS WILL MEET IN FEBRUARY 2 OR 3 TO REVIEW THE QUESTION. IT IS NOT EXPECTED THAT ANY DISCUSSION WITH THE FCO ON VOLUNTARY COMMITMENTS WILL BE TERMINATED PRIOR TO THE END OF FEBRUARY.

C) CANADA

ON TUESDAY, JANUARY 19, MESSRS HOUMINER, DULLES AND GORHAM MET WITH BILL WEBB AND JOHN CLAXTON (PM COUNSEL) IN MONTREAL. WE EXPECT THAT FIRA WILL AGAIN ASK US TO FILE A NOTICE, AND WE PLAN TO REQUEST ANOTHER MEETING, THIS TIME WITH A HIGHER OFFICIAL WITHIN FIRA TO TRY TO PERSUADE THEM THAT, FOR PURPOSES OF CANADA'S FOREIGN INVESTMENT REVIEW ACT, CONTROL OF THE ROTHMANS CANADIAN GROUP HAS NOT CHANGED AS A RESULT OF OUR INVESTMENT IN RI. WE EXPECT WE WILL HAVE TO HAVE SEVERAL MORE MEETINGS WITH FIRA ON THIS ISSUE, AND EVENTUALLY WE MAY HAVE TO GO TO COURT OVER THE QUESTION.

IT IS THE OVERALL VIEW THAT PM SHOULD TAKE ALL POSSIBLE STEPS NOT TO FILE WITH FIRA, AS ANY FILING ACTIVATES THE POLITICAL ARENA WHICH IN TURN IS EXPECTED TO TRY AND EXTRACT A PRICE FOR GIVING ITS APPROVALS.

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GERMANY

A) SENATOR PIEROTH, IN CHARGE OF ECONOMIC AFFAIRS IN BERLIN, HAS ADVISED US THAT HE HAS TAKEN THE FOLLOWING ACTIONS IN ORDER TO SUPPORT OUR CASE:

HE HAD A MEETING WITH DR. KARTTE, HEAD OF THE FCO. HE REPORTED THAT DR. KARTTE IS FULLY AWARE OF THE CONSEQUENCES OF A NEGATIVE DECISION FROM THE FCO.

HE HAD A MEETING WITH THE STATE MINISTERS OF ECONOMICS OF BREMEN AND BAVARIA (MESSRS. WILLMS AND JAUMANN).

HE ALSO SENT LETTERS TO MESSRS. JAUMANN, WILLMS, MR KARTTE AND DR. SCHLECHT, STATING THAT BERLIN HAD VITAL INTERESTS IN PM'S INVESTMENT IN BERLIN.

B) DR. RUPERT MET WITH DR. FRIEDRICHS, CHAIRMAN OF THE DRESDNER BANK, ON JANUARY 18, 1982. PRESENT AT THE MEETING WAS ALSO A DR. HEINZ, HEAD OF THE DRESDNER BANK LEGAL DEPARTMENT. APPARENTLY,

DR. HEINZ'S ADVICE TO DR. RUPERT WAS TO TRY AND NEGOTIATE WITH THE FCO A PERMANENT DEAL, USING AS A BASE THE SAME UNDERTAKINGS BRINKMANN WOULD BE PREPARED TO GIVE THE FCO IN ORDER TO AVOID INTERIM MEASURES. DR. HEINZ'S SUGGESTION WAS TO ASK DR. HIRSCH TO APPROACH THE FCO UNOFFICIALLY TO TEST THEIR CURRENT ATTITUDE TOWARDS SUCH A PROPOSITION. DR. RUPERT WAS FURTHER ADVISED TO TRY AND MEET DR. WOLFF OF THE MINISTRY OF ECONOMIC AFFAIRS.

3. OPERATIONS

A) CONTRACT MANUFACTURE - TABACOFINA

A MEETING WAS HELD LAST FRIDAY, JANUARY 22, WHERE NO AGREEMENT COULD BE REACHED ON CONVERSION COST FEES. TABACOFINA'S ASKING PRICE IS BF 90.- PER 1000 CIGARETTES, AND OUR OFFER IS BF 85.70.

ALL OTHER TECHNICAL PROBLEMS ARE AGREED UPON, INCLUDING TRANSFER OF EQUIPMENT AND PRICE. AS SOON AS THE PROBLEM OF CONVERSION COST FEES IS SETTLED, IT IS EXPECTED THAT A MANUFACTURING CONTRACT CAN BE SIGNED.

B) EXPANDED TOBACCO

BENSON AND HEDGES CANADA IS CLOSE TO SIGNING A 7-YEAR CONTRACT WITH ROTHMANS OF PALL MALL CANADA FOR SUPPLY OF EXPANDED TOBACCO, AT A PRICE OF CAN. DLRS 1.- PER POUND, INFLATION-INDEXED. RPM CANADA IS EXPECTED TO REQUIRE A MINIMUM QUANTITY OF 750,000 POUNDS PER ANNUM DURING THE CONTRACT PERIOD. THIS SUPPLY IS MADE POSSIBLE BY THE OVER-CAPACITY OF THE ET PLANT AT BENSON AND HEDGES CANADA.

A QUESTION HAS ARISEN AS TO WHETHER OR NOT RI QUALIFIES AS A SUBSIDIARY OF PHILIP MORRIS, AND THEREFORE DOES NOT HAVE TO PAY ROYALTIES FOR USE OF AIRCO KNOW-HOW IN EXPANDED TOBACCO. THE MATTER IS BEING INVESTIGATED.

4. FINANCE/ADMINISTRATION

A) THE FIRST HALF YEAR 1981/1982 RTH DIVIDEND WILL BE DECLARED ON JANUARY 27, 1982, AND PM'S SHARE WILL BE POUNDS 394.00 (APPROX. US DLRS 750.000).

B) PHIL ELLIS AND ED DOWNING MET IN ZUG WITH GUNTER KLARMANN ON JANUARY 11/12, AND APPROXIMATELY 60 0/0 OF THE FORMS WERE COMPLETED. SINCE THAT TIME, ADDITIONAL INFORMATION HAS BEEN RECEIVED FROM THE CANADIAN COMPANIES. INFORMATION RELATING TO MARTIN BRINKMANN, WHICH WILL ENABLE US TO COMPLETE THE FORMS FOR THIS COMPANY, ARE EXPECTED SHORTLY.

5. BUSINESS DEVELOPMENTS

A) ASIA

IT IS EXPECTED THAT THE MALAYSIAN JOINT VENTURE CONTRACT FOR MARLBORO WILL BE SIGNED THIS WEEK.

MEETINGS BETWEEN GPI/MODI REPRESENTATIVES AND J. WOOD OF CARRERAS-ROTHMANS TOOK PLACE ON JANUARY 11 IN LAUSANNE. AS A RESULT CARRERAS-ROTHMANS ARE CONSIDERING THE POSSIBILITY OF A LICENSE AGREEMENT FOR RI BRANDS WITH GODFREY PHILLIPS INDIA, AND TERMINATING THEIR DISCUSSIONS WITH NTC. WE SHOULD HAVE THEIR DECISION ON WHETHER THEY INTEND TO PURSUE THE MATTER WITHIN TWO WEEKS.

IT IS PLANNED TO STUDY POSSIBLE WAYS OF PTI AND LAKSON COMBINING THEIR INTERESTS IN PAKISTAN. THE POSSIBLE ARRANGEMENTS COULD INVOLVE SHAREHOLDING IN PTI BEING SOLD TO LAKSON:, RI TAKING UP AN OPTION FOR 30 O/O OF LAKSON, AND PM BUYING EQUITY IN LAKSON FROM THE EXISTING PUBLIC SHAREHOLDERS.

W. CAMPBELL WILL BE MEETING WITH MR. DE JAEGER OF TABACOFINA IN INDONESIA DURING THE WEEK OF FEBRUARY 14.

DURING DISCUSSIONS WITH J. WOOD ON JANUARY 12, 1982 IN LAUSANNE, IT WAS AGREED TO CONTINUE EXAMINING PROJECTS IN SRI LANKA, BANGLADESH, JAPAN AND KOREA.

B) LATIN AMERICA/IBERIA

EH HAD A MEETING WITH CARLOS SALGUERO IN NEW YORK ON JANUARY 18, TO REVIEW THE BROAD ASPECTS OF POSSIBLE BUSINESS DEVELOPMENTS OF REMBRANDT AND RI TRADEMARKS IN THE REGION UNDER C. SALGUERO'S MANAGEMENT. MOST INTEREST WAS SHOWN IN THE DUNHILL AND CARTIER TRADEMARKS, FOR BASICALLY THE ARGENTINE, MEXICAN AND BRAZIL MARKETS. FURTHER POSSIBILITIES OF COOPERATION WERE OUTLINED AS FOLLOWS:

- A) MANUFACTURE UNDER LICENSE OF RI TRADEMARKS IN THE PM FACTORY IN THE CANARY ISLANDS, FOR THE SUPPLY OF THE DOMESTIC MARKET.
- B) MANUFACTURE UNDER LICENSE BY CARRERAS-ROTHMANS JAMAICA OF MARLBORO FOR SUPPLY TO THE JAMAICA DOMESTIC MARKET AND TO THE CARRIBBEAN COMMON MARKET.

◀ IT WAS AGREED THAT EH WOULD INVESTIGATE WITH RI THESE POSSIBILITIES.

C) BEER

DRAFT CONTRACTS HAVE BEEN EXCHANGED BETWEEN CARLING O'KEEFE CANADA AND MILLER BREWING, FOR THE LICENSING OF LITE BEER IN CANADA AND THE IMPORT BY CARLING O'KEEFE OF MILLER HIGH LIFE INTO CANADA. MILLER IN MILWAUKEE WILL ALSO IMPORT AND DISTRIBUTE CANADIAN BEER IN THE U.S.

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6. GENERAL

A) A BRIEFING BOOK IS BEING PREPARED IN LAUSANNE FOR THE STELLENBOSCH MEETINGS OF FEBRUARY 4 AND 5, ACCORDING TO THE AGENDA ELEXED TO NEWYORK LAST WEEK.

B) THE FOLLOWING ARE SHARE PRICES OF RI PUBLIC COMPANIES AS AT FRIDAY, JANUARY 22, (PREVIOUS WEEK'S PRICES IN BRACKETS):

RI LONDON (POUNDS)	76.5 P	(74.5 P)
DUNHILL	258 P	(257 P)
CARROLLS	68 P	(68 P)
TABACOFINA (BF)	2835	(2800)
RPM CANADA	+X	
CARLING O'KEEFE	X+	
RPM AUSTRALIA (AUS DLRS)-SYDNEY	4.35	(4.30)
-MELBOURNE	4.30	(4.25)
ROTHMANS IND. NZ (NZ DLRS)	1.73	(1.70)
RPM MALAYSIA	TRADING STILL SUSPENDED	
RI CONVERTIBLE BONDS (POUNDS)	75.50	(76.50)

* NOT YET RECEIVED, WILL BE TELEXED LATER.

REGARDS

EHUD HOUMINER

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